

1997-98 SESSION
COMMITTEE HEARING
RECORDS

Committee Name:

Joint Committee on
Finance
(JC-Fi)

Sample:

- Record of Comm. Proceedings
- 97hrAC-EdR_RCP_pt01a
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Joint Finance

16.505/16.515

14 Day Passive
Reviews

6/24/96 to
9/23/96

9/17/96
DPI

STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

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BEN BRANCEL

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JOINT COMMITTEE ON FINANCE

September 18, 1996

The Honorable James Klauser, Secretary
Department of Administration
101 East Wilson, 10th Floor
Madison, Wisconsin 53707-7864

Dear Secretary Klauser:

This is to inform you that the members of the Joint Committee on Finance have reviewed your August 28, 1996 request pursuant to s.16.515/16.505(2) regarding a request from the Department of Public Instruction for school lunch handling charges.

No objections to this request have been raised. Accordingly, the request is approved.

A handwritten signature in black ink, appearing to read "Brian Burke".

BRIAN BURKE
Senate Chair

A handwritten signature in black ink, appearing to read "Ben Brancel".

BEN BRANCEL
Assembly Chair

cc: Members, Joint Committee on Finance
State Superintendent of Public Instruction, John Benson
Legislative Fiscal Bureau

BB:BB:jc

STATE OF WISCONSIN

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JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Brian Burke
Representative Ben Brancel
Co-Chairs, Joint Committee on Finance

Date: August 29, 1996

RE: 16.515/16.505(2)

Attached is a copy of a request from the Department of Administration dated August 28, 1996, pursuant to 16.515/16.505(2) pertaining to a request from the Department of Public Instruction.

Please review this item and notify Senator Burke's or Representative Brancel's office no later than **Tuesday, September 17, 1996**, if you have any concerns about the request or would like the Committee to meet formally to consider it.

Also, please contact us if you need further information.

BB:BB:jc



State of Wisconsin Department of Public Instruction

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(608) 266-3390 TDD (608) 267-2427 FAX (608) 267-1052
Internet Address: www.state.wi.us/agencies/dpi

John T. Benson
State Superintendent

Steven B. Dold
Deputy State Superintendent

DATE: August 7, 1996

TO: Richard Chandler, Director
State Budget Office

FROM: Steven B. Dold *Steve*
Deputy State Superintendent

SUBJECT: Increased Expenditure Authority for the School Lunch Handling Program

This is a request to increase the 1996-97 fiscal year expenditure authority for the School Lunch Handling Program under s.20.255 (1) (g) by \$718,800 from the current \$2,281,200 to \$3,000,000.

The DPI is charged per unit (e.g. case, bag, bale, etc.) for storage and handling of commodities received from the United States Department of Agriculture (USDA). This request is based on an increase from \$.04 to \$.06 per pound in the handling charges for delivery of the commodities to schools and institutions, an increase in the charges from \$.03 to \$.06 per pound for pickup of the commodities for schools and institutions and an increase in the handling charge for commodities for the Milwaukee Public Schools from \$.005 to \$.01 per pound.

These increased charges are being requested due to the following:

- An increase in costs for the commodities carriers as a result of the new contract which requires the carriers to call the agencies at least two days in advance of a delivery to arrange for a specific delivery day and time. The previous contract standard required that the carrier needed to specify only the week of delivery without any input from the recipient agencies.
- Increased costs resulting from "privatization" of the commodities carriers. Beginning with the 1996-97 fiscal year the department has elected to make the warehouses responsible for hiring the carriers, and to change the billing practice so that the department would receive only one bill per month for vendor performance. This carrier "privatization" initiative should increase the warehouse's responsibility and make them more effective in dealing with poor performing carriers and agency complaints but does, however, result in increased costs to the warehouse.
- An increase in the use of the USDA SOC commodities program to allow the DPI to order more SOC commodities and to make these additional products available to the respective agencies.

Should you need any additional information or if you would like to meet with us about this request or about the program please call Rich Mortensen at 266-3509 or David Dees at 267-9123.

cc

Laurel Challoner
Brian Pahnke
Vance Rayburn
Faye Stark

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CORRESPONDENCE\MEMORANDUM**STATE OF WISCONSIN
Department of Administration**

Date: August 28, 1996

To: The Honorable Brian Burke, Co-Chair
Joint Committee on Finance

The Honorable Ben Brancel, Co-Chair
Joint Committee on Finance

From: James R. Klauser, Secretary
Department of Administration

Subject: S. 16.515/16.505(2) Requests

Enclosed are requests which have been approved by this department under the authority granted in s. 16.515 and s. 16.505(2). The explanation for each request is included in the attached materials. Listed below is a summary of each item:

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>1995-96</u> <u>AMOUNT</u>	<u>FTE</u>	<u>1996-97</u> <u>AMOUNT</u>	<u>FTE</u>
DPI 20.255(1)(jg)	School Lunch Handling Charges			\$718,800	

As provided in s. 16.515, this request will be approved on September 19, 1996, unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about this request.

Please contact Linda Nelson at 266-3330, or the analyst who reviewed the request in the Division of Executive Budget and Finance, if you have any additional questions.

Attachments

CORRESPONDENCE/MEMORANDUM

STATE OF WISCONSIN
Department of Administration

Date: August 21, 1996

To: James R. Klauser, Secretary

From: Brian Pahnke, Executive Budget and Policy Analyst

Subject: 16.515 Request for the Department of Public Instruction (DPI)

REQUEST

The DPI requests approval of \$718,800 in additional spending authority in FY97 and thereafter under s. 20.255 (1) (jg), School Lunch Handling Charges. Revenues from this appropriation are derived from storing and handling charges paid by public and private schools and residential day care centers to the DPI.

BACKGROUND

Under s. 115.34, the DPI is the state agency responsible for operating and maintaining the state's school lunch handling program, which includes the warehousing, processing and insuring of food products (commodities) provided by the United States Department of Agriculture (USDA) to the state of Wisconsin.

According to DPI, the USDA purchases commodities through open commodities markets and provides the commodities to states as part of the federal school lunch program. The USDA annually determines Wisconsin's commodity "entitlement" by multiplying the number of meals consumed by the state's pupils in the previous year by a USDA-determined figure (\$.145 in FY97). In 1994-95, the latest year for which information is available, over 82 million meals were consumed by Wisconsin pupils resulting in an "entitlement" of over \$12 million in commodities for Wisconsin in 1995-96.

DPI annually rebids its storage and handling contracts, and prior to this year contracted separately with warehouses and trucking firms to store and deliver commodities to schools. Under its new contract, effective July 1, 1996, the DPI discharges its statutory responsibilities by contracting solely with warehouses, which then subcontract with trucking firms to deliver the commodities to schools throughout the state.

The department passes on the storage and transporting charges it incurs to its "clients" (407 public school districts, 432 private schools and 44 residential day care centers) on a per unit basis (i.e. per bag, bale, case, etc.). Participating schools and centers only pay for the storage and handling of commodities, not the actual products themselves. DPI, in turn, charges individual clients by the same procedure the USDA uses to determine the state's entitlement (i.e. determining the number of meals consumed at each school or center in the previous year).

Revenues derived from schools and day care centers cover both DPI storage and handling costs and the 2.90 FTE DPI has to administer the state's school lunch handling program. Currently, DPI imposes the following charges, which have been in effect since 1992:

- \$.04 per pound in handling charges for the delivery of commodities;
- \$.03 per pound for the transportation of commodities; and
- \$.005 per pound in handling charges for commodities for the Milwaukee Public Schools (whose per pound charge is lower since it has its own commodities warehouse).

As noted above, DPI recently entered into a new contract, effective in 1996-97. According to DPI staff, the department entered into a new contract (which resulted in a higher bid than the previous contract) due to numerous service complaints from school districts regarding late deliveries, missing commodities, and other related problems. DPI officials indicate that schools demanded better services and were willing to assume the related increased costs.

Therefore, DPI is requesting additional expenditure authority to reflect an increase to the charges as follows:

- \$.06 per pound in the handling charges for delivery of commodities;
- \$.06 per pound for the transportation of commodities; and
- \$.0075 per pound in handling charges for commodities for the Milwaukee Public Schools.

The department's justification for increasing these charges is due to the following factors:

- Inflationary increases in the storage and handling of commodities;
- A higher bid under the new contract. However, DPI staff indicate that Wisconsin currently charges the lowest cost per delivery unit in the nation and will still retain one of the lowest per unit costs after the proposed increase;
- A new contract provision which requires commodities carriers to contact clients at least two days in advance of a delivery to arrange a specific delivery day and time (the previous contract only required the carrier to notify the client of the week of a delivery without any input from the client);
- A new contract provision which requires warehouses to be responsible for hiring their own trucking companies, which results in increased costs to the warehouse, according to DPI; and
- An increase in the use of USDA State Option Contract (SOC) commodities by schools. SOC commodities are optional commodities not included in the state's entitlement. School districts choosing to purchase SOC commodities must pay the actual cost of the product, in addition to storage and handling charges.

ANALYSIS

The department's proposal to increase its storage and handling charges related to the School Lunch Handling Program is primarily due to its new contract (and higher bid) with warehouses, whose storage and handling charges have increased as a result of inflation and increased responsibilities related to directly hiring its own trucking companies. The department argues that although its charges will increase as a result of this change in

policy, warehouses will be more effective in dealing with poor performing carriers and client complaints.

In addition, two other demand-driven factors have resulted in the need for increased school lunch handling charges, which may partially explain why, according to DPI staff, its clients have voiced no concern over the department's proposed increased storage and handling charges:

1. Schools themselves urged DPI to negotiate a new contract due to numerous service problems in recent years related to the handling and delivery of commodities; and
2. Increased demand and usage of SOC commodities by school districts have increased DPI's need for additional expenditure authority as a result of the popularity of these commodities.

As noted above, DPI functions as the state agency responsible for administering the state's school lunch handling program, passing on associated storage, handling and administrative overhead charges to school districts and residential day care centers participating in the program. Current DPI costs for the School Lunch Handling Program in FY97 is broken down as follows for the 2.90 FTE staffing the program:

Expenditure Item	Funding
Salary	92,000
Fringe Benefits	31,400
Supplies and Services	70,400
Total	193,800

DPI staffing of this program has decreased in recent years, but the department is not requesting additional position authority related to this request.

RECOMMENDATION

Approve the request for \$718,800 in additional expenditure authority for s, 20.255 (1) (jg).